Chilton's
DECEMBER 1983

DISTRIBUTI...

FOR TRAFFIC & TRANSPORTATION DECISION MAK...

4th ANNUAL DAMAGED DELIVERIES

CHOOSING AND USING PUBLIC WAREHOUSES

DO HEADHUNTERS HAVE YOU IN THEIR SIGHTS?

HOW TO GIVE YOURSELF A WORLD OF CREDIT

1983 DISTRIBUTION INDEX

VOLUME 82, NUMBER 12
DECEMBER 1983

Chilton's
DISTRIBUTION

FREDERICK A. STANLEY, PUBLISHER ESTABLISHED 1901 AS THE *TEAMSTER* CLIFF MITCHELL, CIRCULATION MANAGER

FEATURES

42 PUBLIC WAREHOUSING: INNOVATIONS AFTER THE BASICS
There's seemingly no end to what can be done to polish the service you get, but make sure you've got the meat and potatoes before you order the gravy.

52 DAMAGED DELIVERIES
The fourth annual salute to the year's most dubious achievements.

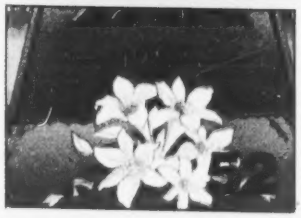
59 GIVE YOURSELF A WORLD OF CREDIT
Managing credit on international transactions isn't easy, but well worth the effort it takes to understand.

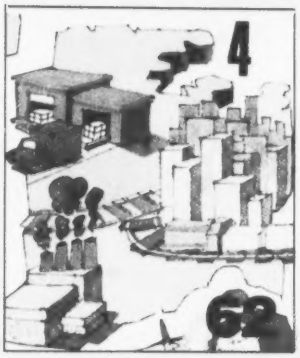
62 HEADHUNTERS LEAD YOU THROUGH THE JUNGLE
Are you Tarzan of the Jungle or Tarzan the Ape Man?

68 "I WANT YOU TO SEE WHAT IT TAKES"
Forget those stories about eight tiny reindeer—delivering the goods in time for Christmas is a much more burdensome chore.

72 1983 EDITORIAL INDEX

77 AIR FREIGHT: STILL HAVING ITS UPS AND DOWNS
The last in a series of financial profiles of carriers examines the state of the air transport industry.





COLUMNS

4 EDITORIAL
Who's afraid of antitrust?
7 COMPUTER UPDATE
Introducing our new newsletter
13 DIALOGUE
An endless data process
16 INTERMODAL By Jean Strickland
What you buy vs. what you get
20 MARITIME By Jesse Jessen
What shipping act will we get?
27 AIR
Jumbo jets and megatrends
28 CLAIMS By John Betz
Rail's declining claims ratio
30 LAW By Colin Barrett
Carriers can consider their source
32 MANAGEMENT CONSULTING
Issue-oriented distribution
34 BULK TRANSPORT
Continuous rate tariff
39 ANSWERS & AUDITS
Our new improved reader service
80 FORECAST
1983 was a very good year
81 LITERATURE
85 DISTRIBUTION & WAREHOUSING By Denis Davis
Old dogs, new retrievers
88 GUIDE TO PUBLIC WAREHOUSES
107 ADVERTISERS INDEX
108 LAST PICKUP

On the Cover: Picking a public warehouse should be done as carefully as picking a carton of fine wine off the racks. This month's issue provides some tips. Photo provided by Leaseway Transportation.

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DIALOGUE

AN ENDLESS DATA PROCESS

Readers had plenty of input after we posed some questions in September about their current feelings on computerization, and about their current data processing informational needs:

"Computers for traffic and distribution are not the future—they are the now! Traffic and distribution managers should begin to give this area visibility, or they'll risk getting left behind."—**Duane J. Schnee, Hyland Therapeutics, Glendale, Calif.**

"We want to maintain state-of-the-art operations through our software, without duplicating industry efforts."—**Robert F. Vensel, Digital Equipment, Marlboro, Mass.**

"Routing, rating and freight payment systems that work would be of interest. Exceptions cause problems because our current systems can't deal with them effectively."—**S. Albright, traffic services supervisor, Louisville, Ky.**

"I desire very specific management reports from the information contained in the bill of lading, freight bill and delivery reports. Any articles, 'help' columns, comparisons, etc., would help."—**R.J. Marshall, traffic manager, Duraco Products, Streamwood, Ill.**

"I need information about freight consolidation that combines LTL shipments into TL shipments to generate transportation savings."—**M.J. Gardner, general manager, Distribution Centers, Cincinnati.**

"We ship prepaid-and-add to customer invoices, often shipping via pool shipments of common carriers. We want to link actual costs billed to customers with our freight schedule."—**T.J. Gorman, distribution manager, Golden West Foods, Bedford, Va.**

"Deregulation has put the focus on transportation. Sophisticated computer applications are the only way to keep your head above water without a supporting cast of thousands."—**J.D. Webb, A.E. Staley Manufacturing Co., Decatur, Ill.**

"Systems cost in our company versus other companies—are we getting full value?"—**Leland A. Chase, Agrico Chemical Co., Tulsa.**

" 'We will sell no software for transportation/distribution before its time' is an idea that's dying fast."—**Greg Chalkey, Texas Instruments Inc., Dallas.**

"We need to update and fully computerize our order entry and shipping system."—**Barbara Pmard, GTE Prods., Manchester, N.H.**

"We need software programs for traffic rather than always for accounting. We really need traffic and distribution software that will relate."—**W.J. Putnam, F. Korgel & Brothers, Guerneville, Calif.**

"Software services are expanding too rapidly. I prefer to wait for established program packages that offer all services."—**John Siekis, senior buyer, Jet Spray Corp., Norwood, Mass.**

IT'S COMPUTERIZED

Order entry	72%
Freight payment	37%
B/L	31%
Warehouse management	31%
Routing	26%
Budgeting	24%
Transportation costing	22%
Rating	22%
Auditing	20%
Tracing	19%
International documentation	19%
Fleet management	17%
Site location	6%

QUESTION OF THE MONTH

It's hardly like getting your milk and eggs at a Seven-Eleven instead of at the A&P; nonetheless, "supermarket service" has emerged as the most popular term whenever the talk has turned to how carriers are now free to build themselves into multi-modal entities that offer "one-stop shopping" to shippers of all sorts.

And, to be sure, some carriers have already made moves that have added credence to the case for "megacarrier mania," and regulatory agencies have been glad to give them helpful pushes.

But while we can see there's no shortage of terms to describe this new phenomenon, and that there's also some hard evidence that it is indeed becoming a trend, we wonder just how far this supercarrier thing really has come thus far. More importantly, we wonder just how much further it can go.

That's because the biggest question with regard to supercarriers is one that, we think, has still gone largely unresolved. And that question is a simple one: Do shippers really want this type of freight marketing option?

Sure, it's easy to say that supercarriers can make a shipper's life a lot easier. But stop to think for a second. Do you really think the carriers you know are capable of expanding beyond the modes in which they've established their businesses? And if they do, would you really see any cost- or time-saving opportunities associated with the resulting supercarrier setups, or would it still boil down to dealing with a bunch of single-mode companies that happen to be sheltered under the same corporate umbrella?

We wonder if shippers really have taken the time to think out all the implications of supercarrier mania. If you haven't, this month's Dialogue card (p.101) gives you a chance to sort out your feelings on the subject and give the entire distribution world a clear idea of where shippers stand on whatever it is we want to call it. Then we'll all have some solid data to work with the next time the subject of milk, eggs and freight comes up.

HEADHUNTERS LEAD YOU THROUGH THE JUNGLE

Like Tarzans of the Jungle, some people seem to swing from promotion to promotion on a gilded vine. Others just ape the swingers, but never really get anywhere. Are you Tarzan of the Jungle, or more like Tarzan the Ape Man?

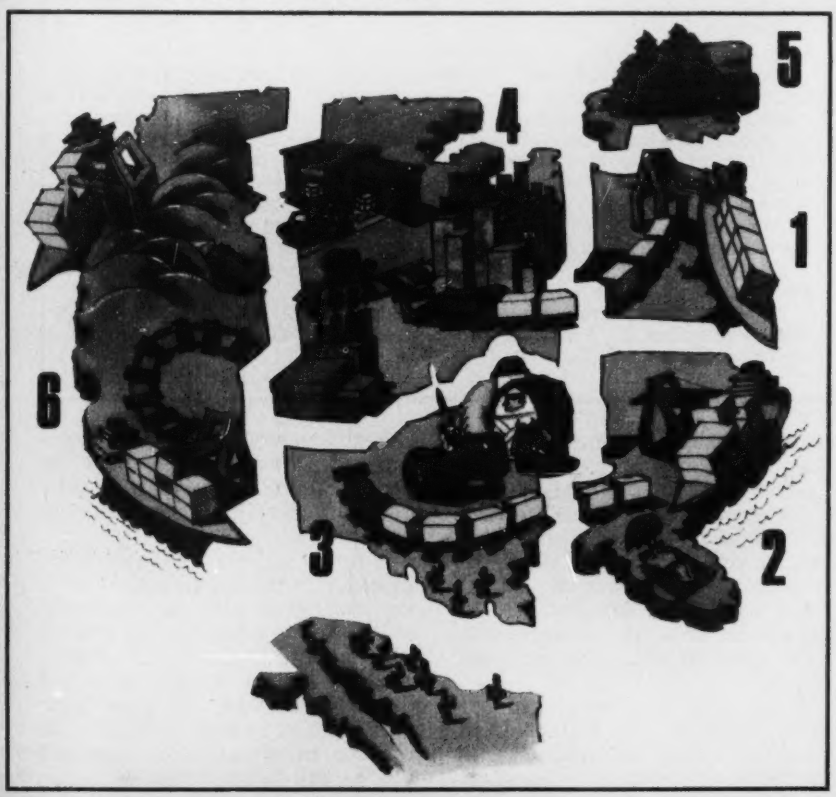
By Nancy Entwisle, Associate Editor

Are you making the right moves toward a successful career? If you're not sure—or even if you think you are—you might want to see how you stack up against the experts' checklist.

Using a list from the National Council of Physical Distribution Management's 1983 Executive Placement newsletter, *DISTRIBUTION* surveyed headhunters from all over the country. As you peruse their responses, keep in mind that the results presented here reflect a *composite* of the surveys that were returned. By no means is this intended as the final word on how to be successful.

Also, keep in mind that the results reported here refer to people in middle-management positions. As you will see, many of the numbers and rankings are qualified by statements that were written into the surveys. All charts are explained by their captions and will not be repeated in the body of this article.

The numbers on the map below indicate the degree of demand for transportation/distribution people in the six regions (Mid-Atlantic, South, Southwest, Midwest, Northeast, West). Contrary to popular belief, the Mid-Atlantic region has the highest demand.



Bottom of the Barrel

Our survey results begin with some bad news: Among the major corporate and administrative functions, headhunters feel physical distribution still ranks fifth (last) overall in terms of career growth potential. Sales/marketing made the top of the chart, followed by production, finance/accounting, and purchasing/procurement/materials management.

The headhunters feel a graduate degree is the most important kind of training an upwardly mobile transportation/distribution person can have. Distribution-oriented seminars rank second, and obtaining distribution-type certificates ranks third. If you're going to get a certificate, the CM-AST&T (Certified Member-American Society of Traffic and Transportation) is the one to get. Following that are credentials from the ICC Practitioner (now Transportation Practitioner) and CCP (Certified Claims Professional) organizations.

Here is some interesting news: A majority of the respondents said they see definite evidence that older, less educated (but more experienced) managers are being forced out and replaced by younger, bet-

ter-educated (but less experienced) people. But nearly as many said they don't see this happening at all.

This was a close one, so you older folks probably don't have anything to worry about. The feeling seems to be it's the experience that counts.

Membership in industry-related trade associations ranked fourth among the kinds of activities deemed important. Non-distribution-oriented seminars (general business courses, for example) ranked fifth, and no extra training/activities (experience *only*) came in last at sixth place.

If you are a woman, your career opportunities in distribution are worse, relative to other fields, merely because of your gender. At least that's what most of our surveyed headhunters said. A handful said your chances for growth are better, or qualified their answers by saying that a woman's opportunities in distribution are the same as they are in any other field.

Many might say that your chances are better because of the quota system. True, your chances may be better for getting hired, or even for getting promoted. But the word going around the industry seems to be that once you reach a certain point, you can forget about going any further, no matter how good you are.

Most of the respondents indicated that middle managers in transportation/distribution change jobs less often than other professionals, reflecting the fact that there's still a lot of work to be done before the old "specialist" tag can be shed.

Job-jump Jumble

Opinions were mixed, though, about the value of "job-jumping." Almost as many saw it as a good way to get ahead, as did those who saw it as detrimental to a career's health.

Don Vassallo and Anthony Canonico of LTL Consultants, New York, gave what sounds like good advice about this question. "Job-jumping is not a good way to get ahead, but career progression is another viewpoint," they wrote. "Intelligent, upwardly mobile people have high goals. They need to be challanged constantly; they thrive on added responsibilities and power. If a company's size, its 'progressiveness,' reporting structure, or existing personnel are all working together to prevent personal growth, it's time to move on.

"But do not move on if the new position does not enhance your marketability immediately or in the near future," they added. "Many people often switch jobs only for more money or because the location is closer to home. Those are not good reasons alone to move on."

E.R. Bower of J. Miller & Associate's Executive Search, located in Dallas, had this to add: "Top slots are generally held until retirement, which means managers with five to ten years' experience can become stymied, waiting another 10 to 25 years for the opportunity to move up. Therefore, they look elsewhere, and they should."

Another respondent, who wished not to be identified, said: "Yes, job-jumping is a good way to get ahead if it's not overdone. The wider exposure develops well-rounded individuals who have greater insights about business, compared with those who have been subjected to the insulating effect of single company employment."

Paul Mueller, of A.T. Kearney's Executive Search in Chicago, felt strongly the opposite, though. "Job-jumping is not a good way to get ahead because it indicates character flaws in the individual—lack of direction, instability and opportunism," he stated.

Lee Grego, of the Irving, Tex. firm of Lee Sullivan Associates, also said no to job-jumping. "If one must change jobs, try to stay in the same industry," he suggested. "Common denominators, contacts, and qualifying skills can also be very important."

Surprisingly, even though there was such a split on the job-jumping question, most of the headhunters

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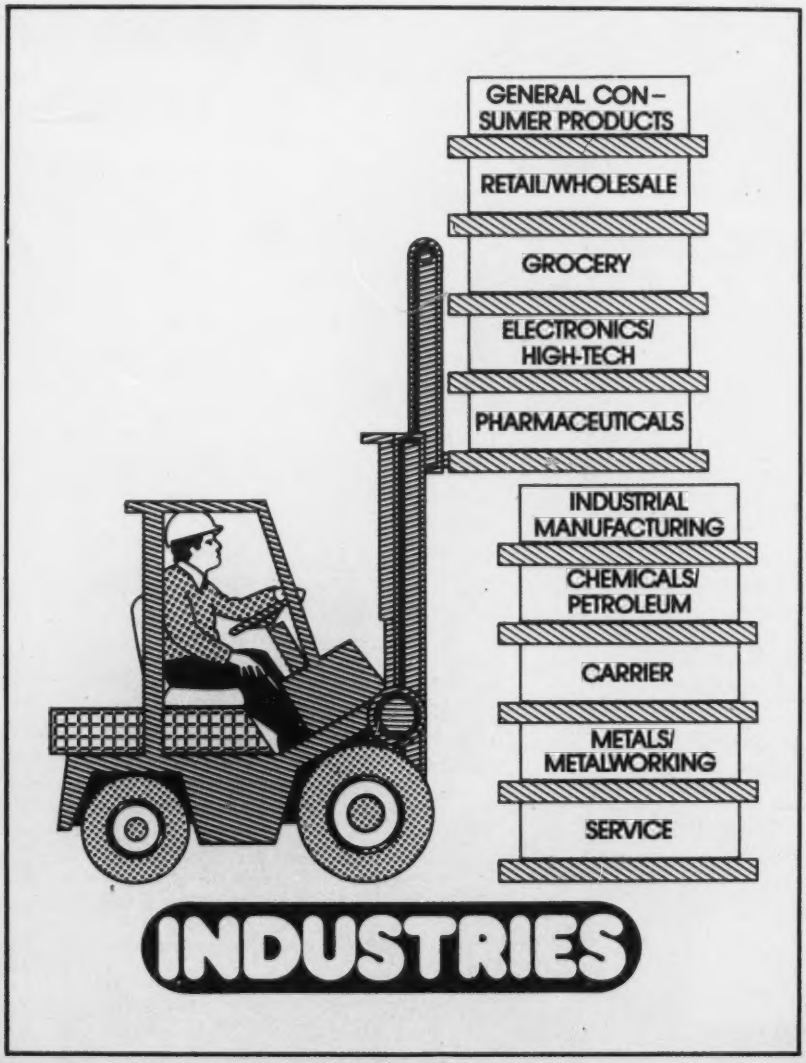


Even though the service industry is one of the fastest growing industries in this country, it is at the bottom of the list (left) as far as demand goes for transportation/distribution people. There was one write-in vote for the carrier industry, which was given an 8.

revealed that they often advise people to move onto other job functions (eg., marketing/sales) within the same company.

Where the Big Bucks Are

Most of our headhunters feel that in many cases, larger salaries come with larger companies. Notes Sheila M. Joyce of Ver Kamp—Joyce Associates, Oak Brook, Ill., "This is true most of the time, but we do see *many* profitable firms pay the middle range for middle-management jobs, which is around $45-$50K." (That's why they're so profitable, right?)

But the people from LTL Consultants continue to insist that, "The bigger the company, the better salary and benefits you receive." (For more information on salaries, see the "coin" chart on page 66.)

About half of our respondents felt it is important to have a graduate degree to be successful in middle management. But again, there are exceptions.

Alex Metz of Hunt Personnel, New York, is one of those who felt an added degree isn't all-important, even if it might offer more opportunity. In the end, Metz says, it comes down to individual performance.

The folks at LTL acknowledged that a graduate degree may give you a head start, but noted that a lower degree, or no degree, can still be coupled with more experience to make you look even better.

Among those who felt it is important to have a graduate degree, there was a split over when it should be obtained: before entering the job market, or after? Lee Sullivan Associates' Grego was one who felt the additional degree should be obtained within the first five years of being submerged in the "real world."

Stay on the Line?

Finally, we come to the old debate about line vs. staff jobs. The issue has only been further enlivened by all the excitable talk about the country's switch from a manufacturing to a service economy, and by the continuing troubles that have beset the traditional industries.

Still, an overwhelming percentage pointed to line positions as being just as marketable when it comes time to reenter the job market. Ron Gillihan of Jacksonville, Fla.'s Curtis-Gillihan, Inc. suggested the following as the optimum course to follow: three to five years in line supervision, then three to five years in a staff position, followed by three to five years in general management with profit-and-loss (P&L) responsibility.

Ver Kamp—Joyce Associates' Joyce added: "We recommend that both sides of the business be learned, be it traffic/transportation or distribution/logistics. Those that specialize too much will be the first to be cut back when the economy takes a turn for the worse."

No Charge, Just Tips

Happily, many headhunters felt no inhibitions about responding to our request at the end of the survey for additional career path advice. Here are some samples of the tips they provided:

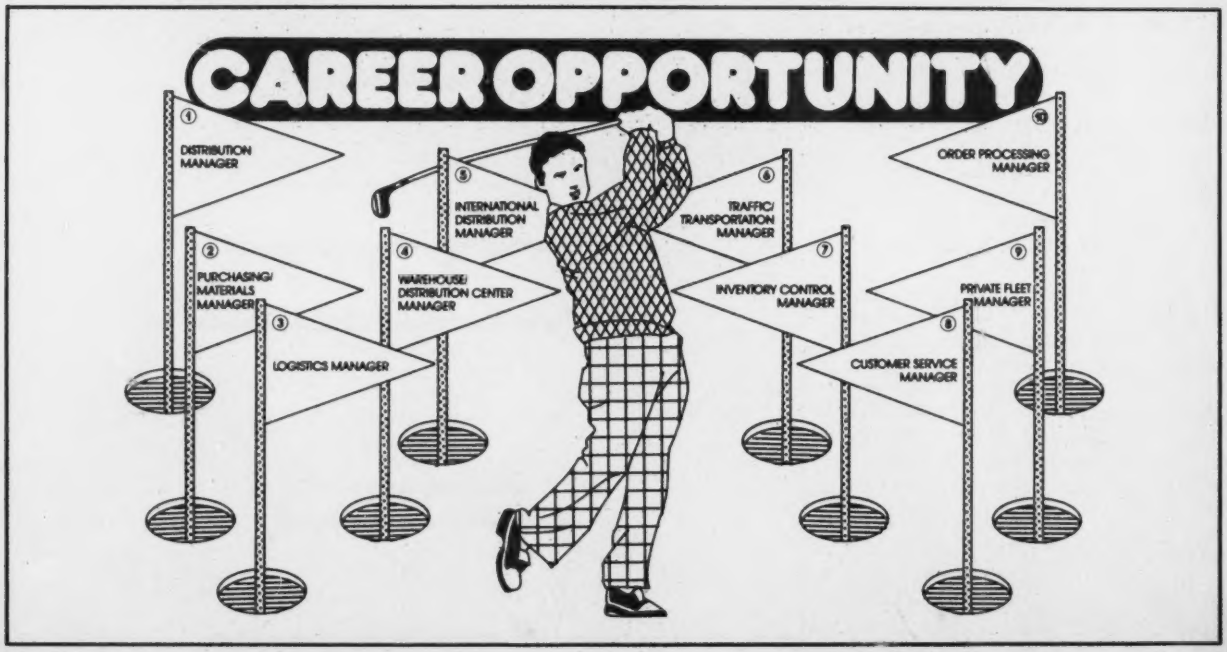
Ralph Young of Amansco, Inc., Pittsburgh, pointed out the need for "good experience with hard goods—a definite computer background. And try to get jobs more closely related to actual production and P&L."

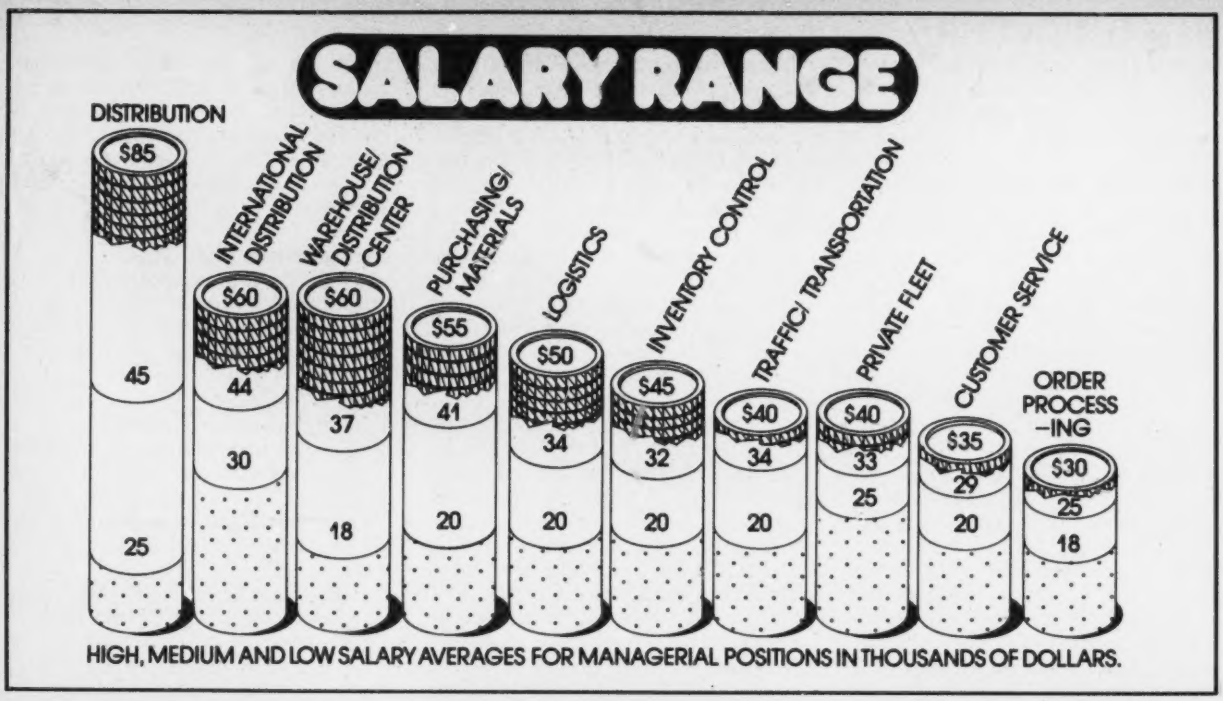
Jack Morrison of J.R. Morrison & Associates, in San Francisco, had these suggestions: "Obtain a BA and an MBA and work for a big, well-managed, professional company to get your initial training. After three to five years, let the world know who you are through executive search companies. Continue working hard at your present company until just the right opportunity develops."

Sullivan Associates' Grego supplied these guidelines: "First, be

continued

On DISTRIBUTION's golf course of life (below), the distribution manager position offers the most long-term career opportunities. But it all depends on whom you play golf with. Hunt Personnel's Alex Metz said that all of these positions are about equal in offering long-term career growth. On the other hand, Anthony Canonico of LTL Consultants said that you should avoid the last four positions completely, or spend little time in them, because there is the danger of becoming too specialized. (Please remember that different companies use different titles for the same job.)





HEADHUNTERS

committed to your profession. Second, pick and stick with a specific industry. Third, stay with your company, if possible. Fourth, continue some updated education, plus a second vocational trade, save your money and pray a lot."

Another respondent said: "Even if you don't have any degrees, complete the following requirements no matter what: Get involved with the professional organizations, get certified, and try to stay with companies of substance long enough to offer growth opportunities."

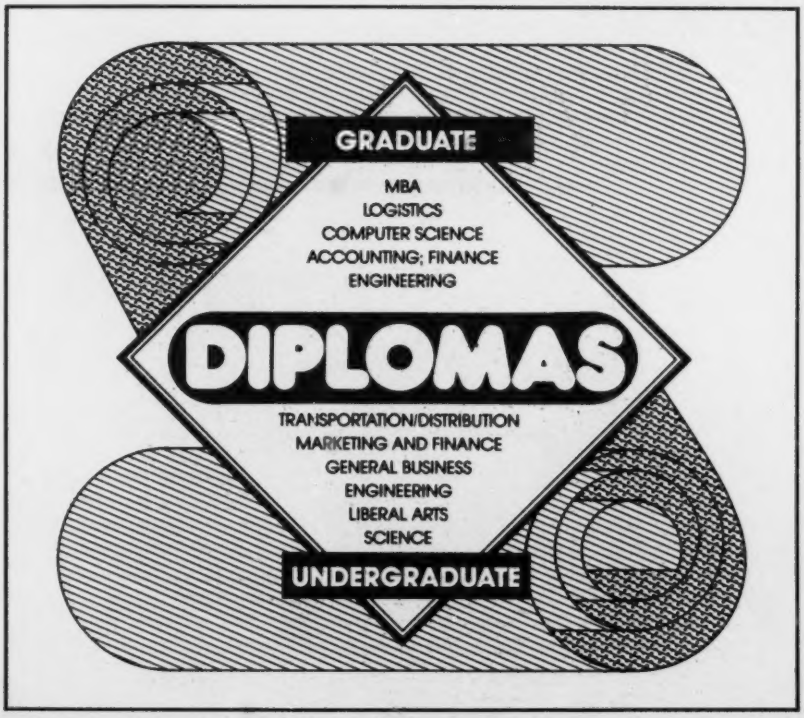
J. Miller & Associates' Bower said: "In a 'normal' economy, you should be promoted three times or more in the first six years. You should be able to see two more promotion opportunities (based on a minimum of good performance) in the next five to seven years. If you are not moving on this kind of schedule, you should be looking for another company."

A.T. Kearney's Mueller offered this advice: "Get a good education, i.e., an MBA with an undergraduate degree in a relevant area. Take a long-term view of your career and decide what your goals are. Set some milestones. Don't change companies more frequently than an average of four years, and get active with professional organizations such as the NCPDM, NITL, IMMS, APICS, AIIE, etc."

Mueller's final comment sounded an appropriate ending note:"Go for growth!" ■

Matching salary ranges to job titles was the hardest task of all for our surveyees. So hard, in fact, that many just chose not to answer the question at all. Above, you can see the results of those who did answer. Paul Mueller of Kearney Executive Search summed it up best when he said: "It's impossible to pick a salary range because it depends on a number of variables, including scope of responsibility, type and size of company, and geographic location."

The "diploma" below ranks graduate and undergraduate degrees in order of importance assigned to them by the headhunters who answered the survey. Note that accounting and finance are tied for fourth place in graduate degrees. Lee Grego, of Lee Sullivan Associates, said that success really depends on the industry and the job function of the individual. He also wrote, "The type of undergraduate degree is not too important from entry level to middle management, as long as you have one."



AIR FREIGHT: STILL HAVING ITS UPS AND DOWNS

The last in our series of modal financial profiles looks at the most topsy-turvy carrier segment of all—airlines and air freight forwarders. Shippers must be extra careful they don't commit large volumes of freight to an outfit that could soon be gone with the wind.

By Thomas A. Foster, Editor-in-Chief

The air transport industry has always been known for its ups and downs. But record losses for the airlines during the past three years, and widespread weakness among forwarders, have combined to make air shippers wonder more than ever about the long-term health of the industry.

Since 1980, combined losses for U.S. scheduled carriers have reached $1.3 billion. Virtually every major carrier has found itself in the red sometime during this period. Several carriers have filed for bankruptcy, and at least two more are dangerously close to collapse.

The third quarter of 1983 has seen a dramatic turnaround for much of the industry, with airline operating profits jumping to around $650 million. But shippers remain skeptical, and questions about the industry linger.

Will enough good airlines remain to provide the lift shippers need? Can these carriers afford to replace their aging planes? Is the air forwarder industry shrinking to the point where only a few major carriers will be left in a couple of years?

Only time can provide solid answers to these questions. But a look now at the recent financial performance of the various elements in the air industry can give shippers some valuable insights into what the future may bring.

"I believe the industry is healthier than it ever has been," says Michael J. Walker, financial analyst for Alex Brown Sons Co., a Baltimore-based stock brokerage firm. "Focusing on lift availability, the move by Emery and Airborne to integrate operations adds a capability that had not previously existed. Further, I believe the stronger airlines have increased their commitment to cargo, and regional all-cargo carriers are finding the deregulated environment so much to their liking that several are rapidly expanding their networks.

"On a quantitative basis, the elements of the industry have to be viewed separately," says Walker, who specializes in analyzing the financial performance of carriers and forwarders.

According to Walker, "pure" forwarders that buy all or most of their lift from the scheduled airlines have generally healthy balance sheets. Lacking heavy investment in equipment, the industry averages show virtually no debt, and aftertax profit margins of 3.1 percent.

The two major forwarders who own their own airplanes, Emery and Airborne, have to be viewed differently, according to Walker, because they had to acquire considerable debt to acquire these assets.

"These integrated forwarders brought debt to previously debt-free balance sheets, and this made the investment community nervous," explains Walker. "After initial heavy leverage, these forwarders managed to bring the debt-to-equity ratio down to a more comfortable 0.78.

"Further, and more important, the aftertax profit margin is now a healthy 3.9 percent, up from 1.5 percent in 1982. This segment of the market is in excellent shape."

The all-cargo air carrier segment of the industry is harder to get a grip on, because meaningful financial data for the smaller carriers is not available. Data is only available for the one national all-cargo carrier, Flying Tigers, a division of Tiger International.

"Tigers is a different situation from the otherwise rosy air freight picture," says Walker. "The company is heavily leveraged, with a debt-to-equity ratio of 5.74. That

continued

RANKING OF AIRLINES

By Freight Ton Miles—1982

1.	Flying Tiger	1,604,964
2.	Pan American	971,951
3.	Northwest	596,113
4.	American	492,235
5.	United	488,733
6.	Trans World	298,908
7.	Eastern	221,352
8.	Delta	220,961
9.	Continental	192,344
10.	Western	113,404
11.	Republic	38,387
12.	World	25,582
13.	Braniff	23,795
14.	Alaska	20,730
15.	Capitol	13,827
16.	Alaska Int'l	12,210
17.	Wien Air Alaska	11,661
18.	USAir	10,228
19.	Piedmont	9,683
20.	Frontier	8,903
21.	Evergreen	7,489
22.	Ozark	5,306
23.	Air Florida	4,761
24.	PSA	4,342
25.	Hawaiian Exp.	3,872
26.	South Pacific	3,502
27.	Reeve	1,275
28.	AirCal	1,192
29.	Hawaiian	1,078
30.	Southwest	1,030

Source: Air Transport Association

AIRLINES SALES/PROFITS
THIRD QUARTER 1983

COMPANY	SALES				PROFITS						Return on common equity
Airlines	3rd Qtr. 1983 $ mil.	Change from 1982 %	9 months 1983 $ mil.	Change from 1982 %	3rd Qtr. 1983 $ mil.	Change from 1982 %	9 months 1983 $ mil.	Change from 1982 %	3rd Qtr. 1983 %	3rd Qtr. 1982 %	12 months ending 9-20
AMR (American)	1287.9	14	3481.3	11	100.7	466	112.3	NM	7.8	1.6	11.6
Alaska Airlines	89.1	18	209.5	16	9.7	45	15.1	48	10.9	8.9	20.4
Delta Air Lines (6)	973.2	11	2814.0	4	10.4	NM	-54.6	NM	1.1	NM	-6.7
Eastern Air Lines	995.0	4	2957.4	4	34.4	NM	-128.8	NM	NM	NM	-92.7
Frontier Holdings	163.5	12	426.4	1	1.3	-92	-14.9	NM	0.8	10.3	-13.0
Northwest Airlines	646.7	12	1636.1	16	45.0	67	38.5	407	7.0	4.7	4.5
PSA	146.1	14	396.5	12	3.0	NM	-5.4	NM	NM	4.0	-11.1
Pan American	1077.3	2	2661.7	-1	76.8	NM	7.6	NM	7.1	NM	-91.1
Piedmont Aviation	241.0**	33	625.0	27	25.0	45	13.7	-48	10.4	9.5	7.5
Southwest Airlines	115.8	25	322.6	33	11.8	6	29.9	22	10.2	12.0	13.4
Trans World	1542.8	4	3947.7	1	88.2	1	13.6	-48	5.7	5.9	-1.4
UAL (United)	1654.7	13	4365.0	8	63.1	-4	85.9	NM	3.8	4.5	12.8
USAir Group	367.4	11	1043.9	10	24.0	48	50.1	6	6.5	4.9	11.1
Western Air Lines	323.0	7	861.8	7	11.0	223	-66.3	NM	3.4	1.1	NM
World Airways	97.0	5	205.9	-10	12.6	NM	-12.8	NM	13.0	NM	NM
INDUSTRY COMPOSITE	9720.5	9	26154.7	7	442.4	131	83.6	NM	4.6	2.2	-3.9

1972-1982 HIGHLIGHTS
U.S. Scheduled Airlines

Traffic—Scheduled Service	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Freight ton miles ($000)	4,217,452	4,736,729	4,890,026	4,766,118	5,074,193	5,385,129	5,763,249	5,907,731	5,585,822	5,818,113	5,397,701
Freight revenue ($000)	906,494	1,038,459	1,216,332	1,295,100	1,482,502	1,687,302	1,939,062	2,155,228	2,370,468	2,512,796	2,351,099
Operating Profit ($000)	584,471	585,266	725,740	127,879	721,933	908,040	1,364,863	199,055	(221,615)	(454,770)	(733,435)
Net Income ($000)	214,850	226,693	321,641	(84,204)	563,354	752,536	1,196,537	346,845	17,414	(300,826)	(915,814)
Rate of return on investment (%)	4.9	5.1	6.4	2.5	8.6	10.9	13.0	7.0	5.8	5.3	2.7

AIR FREIGHT

means for every dollar of equity, there is nearly six dollars of debt. This is a critical time for Tigers."

The combination airlines are a mixed bag, according to Walker. Several continue to have massive losses, while others have turned around dramatically. Happily for the shipper, the healthiest combination airlines are those that carry the most freight.

Here's how the top six combination carriers stack up according to three key indicators:

	1982 freight revs. (mils.)	debt-to-equity ratio	1983 aftertax profit margin
United	$309.4	1.01	3.8%
American	302.8	0.89	6.7
Delta	227.1	1.22	0.4
Eastern	180.0	4.12	0.1
TWA	179.4	1.93	7.1
Continental	165.0	11.73	na

"The scheduled airline industry is experiencing problems, which ultimately could affect the air freight shipper," Walker says. "These problems, however, are mitigated by the strength of United and American. I do not believe a commitment to cargo is what led to the strength of these carriers, but it certainly may be a factor. Hopefully, it will be enough to draw the attention of other carriers.

"Whatever the shakeout of the airline industry brings," he adds, "I am confident that adequate lift will be available and that the air freight industry will continue to improve its service to the shipper."

How should shippers use this financial information when selecting air carriers and forwarders? Walker advises forwarders and larger shippers to look for carriers that are most likely to dominate in the deregulated environnent. Generally, this means seeking out the larger, more aggressive companies that have made it clear they are really interested in cargo.

DOMESTIC ALL-CARGO DATA
(Section 418 Carriers)

Traffic	1981	1982
Scheduled Revenue ton miles (000)	317,696	439,634
Scheduled Available ton miles (000)	534,495	718,807
Scheduled Load Factor (%)	59.4	61.2
Financial		
Operating Revenues ($000)	946,674	1,175,953
Operating Expenses ($000)	798,952	1,011,335
Operating Profit ($000)	147,722	164,618
Profit Margin (%)	15.6	14.0
Net Income ($000)	77,899	84,306
Revenue Per Ton Mile (cents)	298.0	267.5

Section 418 Carriers

The adjoining table summarizes traffic and financial data for the following section 418 carriers:

Aero Union
Air Express International
Air Transport International
Airborne Express
American Air Transport
Blue Bell
Bo-S-Aire
Combs Airways
DHL Cargo
Eagle Aviation
Federal Express
Fleming International
International Air Service
Interstate Airlines
Jet Way
Northern Air Cargo
Orion Air
Profit Air
Providence
Rosenbalm
Ryan Aviation
S.S. Airways
Summit
Trans Continental
Trans Continental
Viking International

Choosing forwarders is a little trickier, however.

"It is my opinion that the choice of forwarders is becoming more and more critical in this deregulated environment," Walker says, "because there are material differences in the quality of service being provided. Further, you must also choose the forwarders who are capable of seizing the opportunities created by a deregulated environment and who will translate these opportunities into benefits for you.

"For instance," Walker continues, "it is highly unlikely that any other forwarder will have the financial clout to become an integrated forwarder like Emery or Airborne. Even among the pure forwarders, the larger, more successful will probably be able to expand their domination.

"The small forwarder just can't become large. The large forwarder has share of market and a good cash flow. It can come to the equity market for capital if it needs it. The small forwarder cannot, nor can the small forwarder afford to take on much debt.

"Small forwarders that continue to exist will be those that specialize, or somehow carve out a niche for themselves by handling commodities that require special expertise—providing pick-up and delivery to outlying locations, and so on," Walker believes.

The choice of a forwarder, the analyst says, should be determined to some degree by the company's financial viability. He recommends that shippers demand a certain amount of financial information from any forwarder it intends to do substantial business with.

"There are only a few key items to look for, so a forwarder should not object," he contends. "You may want to make sure its debt is just about zero, except perhaps for a mortgage and vehicle financing. The debt-to-equity ratio certainly should not be more than 0.25.

"You also want to look at the age of its payables and receivables. A forwarder often doesn't get paid by the shipper for at least 45 days, yet airlines usually demand immediate payment. If the forwarder is not paying the airlines quickly, and if it lets customers drag out their payments, it's going to have a problem. The airlines are not going to give any service favors to forwarders that don't pay on time. And, as a forwarder is largely dependent on the airlines for ths quality of its service, it must maintain good relations with those carriers. ■

ATA AIRLINE STATISTICS 1982

	Cargo Ton Miles (000)	Operating Profit (Loss) (000)	Net Profit (Loss) (000)
AirCal	1,569	(20,654)	(23,992)
Air Florida	5,711	(33,940)	(78,507)
Alaska	29,534	21,270	10,569
Aloha	1,372	295	(325)
American	648,721	(18,247)	(14,476)
Best		(3,486)	(3,487)
Braniff†	38,325	(67,353)	(65,105)
Capitol	17,319	(12,965)	(21,203)
Continental**	231,576	(62,078)	(64,710)
Delta	339,433	(85,948)	(17,058)
Eastern	336,701	(18,781)	(74,927)
Evergreen	7,489	8,288	2,506
Federal Express	221,887	152,180	182,914
Flying Tiger	1,690,186	(48,288)	(43,789)
Frontier	21,859	6,812	15,922
Hawaiian	1,532	(6,612)	(16,761)
Midway	11	4,464	346
Muse	93	(4,738)	11,468
Northwest	739,956	(7,998)	5,019
Ozark	13,581	18,099	7,542
Pan Am	1,174,458	(372,736)	(485,331)
Piedmont	21,343	21,952	30,463
Pacific Southwest	7,559	(17,432)	18,552
Republic	64,360	37,253	(39,861)
Trans World	452,075	(104,174)	(30,829)
United	737,338	(68,549)	(10,751)
USAir	35,067	79,336	59,104
Western	156,059	(30,798)	(44,016)
Wein Air Alaska	21,162	6,113	2,140
Associate Members			
Air Canada	398,000	(25,800)	(32,600)
CP Air	165,399	(26,226)	(34,692)

†Discontinued operations on May 13, 1981.
*Includes non-scheduled service.
**Includes Texas International, which merged with Continental Nov. 1, 1982.

IATA INTERNATIONAL SCHEDULED PLUS NON-SCHEDULED FREIGHT TONS: PERCENT CHANGE ON LARGEST REGIONS/REGION PAIRS* AND TOTAL WORLDWIDE

1982 Actuals—1983/85 Forecasts

% Share 1982	Region/Region Pair	Actual 1982	Forecast 1983	1984	1985
18.1	U.S.—Europe	-0.6	3.4	6.0	6.0
14.3	Within Europe	-2.9	1.0	3.0	4.0
8.7	Europe—Middle East	4.5	6.9	7.2	6.5
7.1	U.S./Canada—Far East	6.6	7.8	6.4	6.4
6.6	Within Far East—S.W. Pacific	6.9	7.0	7.0	7.0
4.2	Europe—Western Africa	-2.0	Nil	5.0	5.7
3.5	U.S./Canada—Upper S. America	6.3		**	
2.8	Europe—Indian Sub-Continent	8.4	6.5	6.5	6.0
2.8	Europe—N.E. & N.W. Africa	4.1	3.0	5.3	6.0
2.6	Canada—Europe	-1.6	2.6	4.6	4.9
	Mid. East—Indian Sub-Continent				
2.6	S.E. & N.E. Asia/Japan	12.6	9.8	8.1	8.1
2.5	Europe—Japan	1.8	5.5	6.0	6.0
	Total IATA International Scheduled Plus Non-Scheduled Freight Tons	0.6	4.1	5.7	6.0

*Regions/region pairs having more than a 2 per cent share of total freight tonnes carried on IATA international scheduled and non-scheduled services in 1982.
**No forecasts made
Source: IATA Freight Traffic Forecasting Group, June 1983.

FORECAST

BY DR. RICHARD LANCIONI

BY ALL ACCOUNTS, 1983 WAS A VERY GOOD YEAR

The year started with the prime rate hovering at around 14 percent. Inflation at the end of 1982 was still high, reaching the 9 percent level. Unemployment stood at 10.5 percent, and the gross national product (GNP) was showing no signs of growth.

Government economists were forecasting only two-percent growth in the economy for the coming year. But 1983 turned out to be a real surprise for industry managers and consumers alike.

In the first quarter, inflation grew by only 2 percent on an annualized basis. In the second quarter, it advanced by only 3.3 percent, and in the third and fourth periods it averaged 3.1 percent. That all combined to make the lowest inflation year since 1971.

Unemployment, while still high, began to decline slowly, reaching the 9.9 percent level at the end of the second quarter. By the end of the summer, it had dropped to 9.5 percent, and at the end of the year it stood at 8.8 percent.

The GNP grew by a much greater amount in the 2nd quarter, advancing at a rate of 7.2 percent. In the third quarter the rate slowed somewhat, to 5.5 percent, but it still remained higher than economists' predictions. In the final period, the GNP was advancing at a rate in excess of 6.0 percent, leading to an average rate of 6.1 percent for all of 1983.

Along with the dramatic rise in GNP and the drop in inflation, the prime rate slowly declined, from a level of 14 percent at the beginning of the year to only 11 percent at its end.

All of this activity helped make 1983 one of the best rebound years for the transportation and distribution industry, too.

Rail freight increased steadily each month, along with truck shipments, which averaged a 13.5 percent increase during 1983. Air shipments increased dramatically, rising by more than 17.8 percent for the year. Water shipments rose by 17.1 percent, and warehouse utilization by more than 15.9 percent for the year. □

DISTRIBUTION INDEX

	Nov. 83	Dec. 83	Jan. 84	Dec./Jan. Change
Truck Shipments	124.6	124.9	125.9	+1.0
Rail Shipments	114.9	115.1	117.2	+2.1
Air Shipments	121.1	122.8	123.4	+0.6
Water Shipments	111.3	112.1	114.5	+2.4
Warehouse Utilization	122.8	107.9	108.1	+0.2
Inventory Valuation	106.3	107.9	108.1	+0.2
Cumulative Index	120.9	121.5	123.1	+1.6

Year-end trends reflect the continued upward growth that has characterized the distribution industry since June. Truck shipments will increase to the 125.9 level through January 1984, reflecting a one-point increase over December levels. Rail shipments will increase to the 117.2 level through January, up more than two points from December. Air shipments, though not quite as strong as rail, will again show a positive increase for the seventh consecutive month. Water shipments will rise by the largest amount, with a 2.4 point increase through January. Warehouse space utilization is also up and will rise to 124.2 in January. The smallest increase in the Index is in inventory valuation, which expanded by only 0.2 through January, reflecting the moderation in inflation which is currently running at only 3.5 percent for all of 1983. The overall cumulative index increased by 1.6 through January 1984.

TRANSPORTATION INDICATORS—

Monthly/Quarterly Trends

Diesel Fuel Prices (Cents per Gallon/Average)
(Interstate Commerce Commission)

Sep.83	Oct.83	Nov.83	Jan.84 (Forecast)
1.229	1.229	1.226	1.23

Dow Jones Transportation Index (Index Point Closing)
(Wall Street Journal)

Oct.17	Nov. 1	Nov. 11	Feb.84 (Forecast)
591.6	579.3	595.6	614.5

Rail Freight Traffic (Billions of Ton Miles)

1st qtr.	2nd qtr.	3rd qtr 83.	3rd qtr. 82
195.4	401.7	562.1	563.7

The transportation indicators continue to reflect the moderate and stable growth pattern in the economy. Fuel prices are climbing very slowly, much more slowly than anyone expected. Since the beginning of 1983, there has been a slight downward movement in diesel fuel prices from January's price of $1.23. Unless this winter is extremely cold, fuel prices should not increase much more than a cent or two in the months ahead. This, of course assumes there is no serious disruption of oil flows from the Mideast, which is a big question mark these days. Investor confidence in transportation stocks has waivered in recent months, but during the calendar year the Down Jones Transportation Index has climbed to nearly 600 from its Janaury level of only 350. Wall Street clearly believes carriers' earnings will continue to grow, both through increased traffic and higher freight rates. According to the Association of American Railroads, rail freight traffic for 1983 will exceed that of 1982, but not by much. The rail industry looks forward to a much stronger 1984.